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# European Commission Proposes to Simplify and Postpone EU Sustainability Reporting Requirements

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## First “Omnibus Package” Under the Commission’s 2025 Work Program Marks Significant Shift Towards New Simplification Agenda

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Yesterday, the European Commission released its first “Omnibus Package” consisting of a number of legislative drafts, which present separate proposals seeking to reduce the regulatory burden under various EU sustainability regulations and to strengthen the EU’s competitive position. These drafts include proposals to simplify and delay certain requirements introduced in the last few years under the Corporate Sustainability Reporting Directive (the “CSRD”)<sup>1</sup>, the Corporate Sustainability Due Diligence Directive (the “CSDDD”)<sup>2</sup> and the Taxonomy Regulation.<sup>3,4</sup> The proposals would significantly limit the number of companies in scope of these requirements<sup>5</sup> and, for many in-scope companies, delay initial compliance deadlines. However, they would maintain the “double materiality” standard under the CSRD reporting requirements and would not specifically limit the extraterritorial application of the CSRD and CSDDD.

We expect the proposals to be subject to intense political debate by the EU co-legislators, i.e., the European Parliament and the Council of the EU. Therefore, the timeline for adoption of the proposals remains unclear, and the Commission has asked that the proposals be treated with priority in light of the upcoming deadlines under the directives as currently in force.

Certain key aspects of the proposals are highlighted below, together with an overview of next steps in the legislative process.

### A. CSRD

The CSRD currently imposes detailed sustainability reporting requirements on in-scope EU entities and certain non-EU companies that have securities listed on an EU-regulated market or generate more than €150 million of annual net turnover in the EU. Reporting under these rules is currently set to begin in four tranches depending on the type of in-scope company, with the earliest group currently required to report for financial year 2024 and the last group for financial year 2028.

*The proposals would significantly narrow the scope of entities subject to CSRD reporting.* The proposals would limit CSRD reporting requirements to EU companies that have an average of more than 1,000 employees and either a net turnover exceeding €50 million or a balance sheet total exceeding €25 million. The same thresholds would apply to non-EU companies with securities listed on an EU regulated market. In addition, for non-EU groups, the proposals would increase the thresholds of net revenue generated in the EU from over €150 million to over €450 million. This means that the CSRD would not require disclosures from small and medium-sized companies, or from large companies with 1,000 or fewer employees. However, such companies could opt to voluntarily report under future voluntary reporting standards to be adopted by the European Commission based on the existing draft sustainability reporting standards for voluntary use by small and medium-sized entities that are not in scope of CSRD reporting requirements, as developed by EFRAG (“Voluntary Standards”).

*The proposals outline the intent to reduce data points required to be included in CSRD reporting.* Companies subject to the CSRD are required to report in accordance with the European Sustainability Reporting Standards (“ESRS”). The proposals outline the European Commission’s intent to adopt a new delegated regulation to revise the ESRS and substantially reduce the number of data points on which companies are required to report. A draft of this delegated regulation is not yet available. The European Commission also announced its intent to eliminate the adoption of sector-specific ESRS.

*The proposals seek to limit value chain information demands.* To comply with the reporting requirements under the CSRD, in-scope companies must gather information from companies within their value chains. Under the proposals, in-scope companies cannot request information from out-of-scope companies beyond what would be disclosable under the Voluntary Standards to be adopted by the European Commission.

*The proposals would remove the possibility of future reasonable assurance requirements.* Under the CSRD, companies currently have to publish their sustainability information together with the opinion of a statutory auditor or, if the relevant EU Member State allows, an independent assurance service provider based on a limited assurance engagement. However, a transition from limited to reasonable assurance, with extensive procedures including consideration of internal controls and substantive testing, is currently planned, following a feasibility assessment by the European Commission. The proposals would remove

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this transition and would only empower the European Commission to adopt standards for limited assurance (removing any specific timeline for adoption).

*The proposals would delay CSRD reporting for certain in-scope companies.* The Omnibus Package contains two proposals for separate amendment directives that would delay the reporting requirements for in-scope companies without an EU regulated market listing.

- The first proposed directive does not take into account the changes outlined above to remove small and medium-sized companies from the scope of the CSRD reporting requirements, as this proposed directive is intended as an immediate measure to increase planning certainty for companies currently in scope of the CSRD, regardless of the outcome of the other substantive proposals. As a result, it would delay initial reporting under the CSRD by two years as follows: (i) for large companies without a listing on an EU-regulated market (currently required to start reporting in 2026, for financial years beginning on or after January 1, 2025), the reporting date would be postponed to 2028 (for financial years beginning on or after January 1, 2027); and (ii) for listed small and medium-sized companies, listed small and non-complex institutions and listed captive insurance undertakings (currently required to start reporting in 2027, for financial years beginning on or after January 1, 2026), the reporting date would be postponed to 2029 (for financial years beginning on or after January 1, 2028).
- The second proposed directive, which includes the other changes described herein, would, as a second step, revise the transition period to reflect the introduction of the new threshold of 1,000 employees on average and the removal of small and medium-sized companies from the scope of the CSRD reporting requirements. Under this proposal, the EU companies that meet the proposed new thresholds are required to start reporting under the CSRD in 2026 (for financial years beginning on or after January 1, 2025).

Importantly, the proposals would not delay initial reporting by large EU companies with securities listed on an EU-regulated market, which are required to report under the CSRD for financial years starting on or after January 1, 2024 (or would have been required to report, had the relevant EU Member State transposed CSRD into national law in time). The proposals also would not delay initial reporting by in-scope non-EU companies that are currently required to report for the first time for financial years starting on or after January 1, 2028. It is possible that the EU co-legislators may provide additional clarity on these aspects of the second proposed directive in the further legislative process.

### B. CSDDD

The CSDDD introduces requirements for in-scope EU and non-EU companies to identify, assess, prevent and mitigate adverse human rights and environmental impacts in their own operations, subsidiaries and value chains. The CSDDD also requires in-scope EU and non-EU companies to adopt transition plans to align their business model and strategy with the Paris Agreement's goal of limiting global warming to 1.5°C.

*The proposals would simplify due diligence requirements.* Although the Proposal would not adjust the thresholds for EU and non-EU entities subject to the CSDDD requirements,<sup>6</sup> it extends the interval for companies to conduct the required regular due diligence assessment from 12 months to five years. However, companies are required to conduct "ad hoc assessments" in cases where there are reasonable

grounds to believe that (1) new risks of the occurrence of adverse impacts may arise, or (2) current measures are no longer adequate or effective.

***The proposals seek to limit value chain requirements.*** The proposals would generally limit the required value chain due diligence requirements to in-scope companies' *direct* business counterparties. Companies are only required to conduct a due diligence assessment beyond this scope if they have "plausible information that suggests an adverse impact at the level of an indirect business partner." Furthermore, in-scope companies cannot request from value chain companies that have less than 500 employees information beyond what would be disclosable under the Voluntary Standards to be adopted by the European Commission as described above, unless the Voluntary Standards do not cover relevant impacts or additional information is necessary in light of indications of likely adverse impacts, and the additional information cannot reasonably be obtained by other means. Finally, the proposals would remove any obligation to terminate a business relationship with a business partner. Instead, as a last resort, in-scope companies may be required to "suspend" the relationship with a business partner.

***The proposals would limit stakeholder engagement requirement.*** Currently, in-scope companies are required under the CSDDD to consult with employees, representatives of affected communities and other stakeholders, providing them with relevant and comprehensive information, and allowing for genuine interaction and dialogue. The proposals would limit this stakeholder engagement requirement in two ways: in-scope companies would not have to engage (1) with stakeholders whose rights are only indirectly affected and (2) in stakeholder consultation when deciding to suspend a business relationship or when developing indicators for monitoring. The proposals would also clarify that only relevant stakeholders must be consulted.

***The proposals would modify the climate change "transition plan" requirement.*** The proposals state that the obligation for in-scope companies "to adopt and put into effect" a transition plan for climate change mitigation should be replaced by an obligation "to adopt a plan for climate change mitigation, including implementing actions, which aim to ensure, through best efforts" the company's compatibility with a transition towards a sustainable economy, including 2030 and 2050 climate targets. These changes are intended to align the CSDDD requirement with CSRD reporting requirements.

***The proposals would modify the CSDDD liability framework.*** Firstly, where pecuniary penalties are concerned, the CSDDD currently requires EU Member States to base these on the company's net worldwide turnover and specify a maximum limit of no less than 5% of net worldwide turnover in the financial year preceding the decision. The proposals would remove these specifications and grant EU Member States more discretion in imposing effective, proportionate and dissuasive penalties, with the European Commission committing to develop guidelines to assist supervisory authorities in determining the appropriate penalties. In addition, with respect to the civil enforcement framework under the CSDDD, the proposals would remove:

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- the EU-wide liability regime as currently envisioned under the CSDDD; instead, the proposals set out minimum requirements for civil liability under national laws;
- EU Member States' obligation to allow any allegedly injured party to authorize a trade union or NGO to file representative actions; and
- the obligation for EU Member States to ensure that national law applies to civil litigation claims regardless of the location where the harm occurred.

*The proposals would remove references to potential additional due diligence requirements for regulated financial institutions.* Currently, in-scope regulated financial institutions and their upstream business partners (such as investors) are covered by the CSDDD, but not the activities of their downstream business partners, such as investees or borrowers. However, the CSDDD provides that, as early as possible but no later than July 26, 2026, the European Commission must assess and report on the necessity of adopting additional sustainability due diligence requirements related to the financial services and investment activities of regulated financial institutions and the options for such due diligence requirements. The proposals would remove this mandatory evaluation for the time being.

*The proposals would delay transposition by EU Member States and initial compliance for the first group of companies.* The proposals would delay the deadline for the transposition of the CSDDD requirements by EU Member States by one year to July 26, 2028. In addition, for (i) EU companies with over 5,000 employees and a net annual worldwide turnover of over €1.5 billion; and (ii) non-EU companies that generate over €1.5 billion net turnover in the EU, the CSDDD requirements would no longer begin to apply on July 26, 2027. Instead, the initial compliance date for these groups would be the same as for all (i) EU companies with over 3,000 employees and a net annual worldwide turnover of over €900 million; and (ii) non-EU companies that generate over €900 million net turnover in the EU, i.e., July 26, 2028. July 26, 2029 remains the initial compliance date for all other in-scope companies.

### C. EU Taxonomy Reporting

The Taxonomy Regulation introduces a classification system that imposes criteria for the qualification of an economic activity as “environmentally sustainable.” It requires companies subject to CSRD reporting to include, in their non-financial statement, information on how and to what extent their activities are associated with “environmentally sustainable” activity. The proposals would limit the scope of companies that must present Taxonomy information to those that have a net turnover of over €450 million. Companies that are in scope of the CSRD but have no more than €450 million net turnover would only be required to report under the Taxonomy Regulation with respect to economic activities that they claim to qualify as “environmentally sustainable”. These companies can also “opt in” to a new voluntary Taxonomy disclosure regime.

In addition, the European Commission launched a four-week publication consultation on revised templates for more flexible and significantly limited Taxonomy reporting.

## D. Next Steps

The proposed changes to the CSRD and the CSDDD will need to be submitted to the European Parliament and the Council of the EU for formal adoption and would then need to be implemented into EU Member States' national laws. We expect the proposals to be subject to intense political debate by the two EU co-legislators and there is no certainty that they will be adopted in their current form, if at all. Given the impending deadlines under the current CSRD and CSDDD requirements, the European Commission has requested the European Parliament and Council to treat the Omnibus Package with priority.

The European Commission has said that the proposed delegated act amending the ESRS and the templates for EU Taxonomy reporting will be adopted following public feedback. The amendments will not require approval by the European Parliament or the Council, although the co-legislators may raise objections within two months after the European Commission adopts the delegated regulation.

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ENDNOTES

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- <sup>1</sup> Directive (EU) 2022/2464. For more information about CSRD, see our publication [EU Nears Adoption of Expansive Corporate Sustainability Reporting Requirements](#) (August 1, 2022).
- <sup>2</sup> Directive (EU) 2024/1760. For more information about CSRD, see our publication [EU Adopts Corporate Sustainability Due Diligence Directive](#) (June 7, 2024).
- <sup>3</sup> Regulation (EU) 2020/852.
- <sup>4</sup> The Omnibus Package also contains proposals to simplify the carbon border adjustment mechanism (CBAM).
- <sup>5</sup> The European Commission estimates that the proposals, if adopted, would remove around 80% of companies from the scope of the CSRD. See [European Commission Press Release \(February 25, 2025\)](#).
- <sup>6</sup> The following companies fall within the scope of the CSDDD: (i) EU companies with over 1,000 employees and an annual net worldwide turnover exceeding €450 million; (ii) non-EU companies with an annual net turnover exceeding €450 million in the EU; (iii) EU franchisors and licensors that have entered into certain types of franchising or licensing agreements in the EU in return for royalties, if (1) those annual royalties amount to more than €22.5 million and (2) the company has an annual net worldwide turnover exceeding €80 million; and (iv) non-EU franchisors and licensors that have entered into certain types of franchising or licensing agreements in the EU in return for royalties, if (1) those annual royalties amount to more than €22.5 million and (2) the company has an annual net turnover exceeding €80 million.

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